

**UNITED STATES BANKRUPTCY COURT  
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA**

In Re: Greater Cleveland Avenue )  
Christian Church )  
 )  
 ) Case No. B 18-50410  
 )  
Debtor. )

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**OFFICE OF THE BANKRUPTCY ADMINISTRATOR  
FINANCIAL ESTATE ANALYST'S REPORT**

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On the 20<sup>th</sup> day of June 2018, I met with the parties managing the above business. For the information of the Bankruptcy Administrator and the Court, I make the following report of my observations on:

**Name of the business:**

Greater Cleveland Avenue Christian Church

**Location of the business:**

5095 Lansing Drive  
Winston-Salem, NC 27105

**What type of service or product does the business produce?**

Church

**Attorney for Debtor-In-Possession:**

Samantha K Brumbaugh  
Ivey, McClellan, Gatton & Siegmund, LLP  
100 S. Elm Street, Suite 500  
Greensboro, NC 27401

**Does the debtor own or lease?**

Own

**If leased, what equipment and furnishings are included with the lease?**

NA

**Business management:**

Sheldon M. McCarter, Bishop  
Diana Jones, CFO  
8 Board Members

**Is the manager also the owner of the business?**

NA

**How many employees does the business have?**

2 - W2 employees  
13 - (approx.) 1099 employees

**Has the number of employees decreased, increased, or remained the same since the filing of the petition?**

Remained the same since the filing.

**How long has the business been in operation?**

The church is 124 years old. The current Bishop has been there for 30 years.

**What was the gross income from all sources for the last three calendar months?**

	<u>March</u>	<u>April</u>	<u>May</u>
Income	\$122,027.12	\$85,892.62	\$91,507.96
Expenses	\$113,861.68	\$89,160.58	\$68,677.10
Profit/Loss	\$8,165.44	(\$3,267.96)	\$22,830.86

**What was the net profit for the latest full month, if available?**

	<u>June</u>
Income	\$71,515.09
Expenses	\$69,500.54
Profit/Loss	\$2,014.55

**What was not considered in computing the profits?**

NA

**What is the present bank balance?**

As of June 30, 2018 - \$46,315.43

**Are there any outstanding checks which they have not deducted from this bank balance?**

NA

**Is the payroll being paid on time?**

Yes

**Does the debtor get credit from suppliers?**

Pays cash only.

**If so, what percentage of purchases is on credit?**

NA

**What percentage of deliveries is cash on delivery?**

100%

**What amount of finished goods are on hand?**

NA

**Is inventory adequate to carry on business in a normal way?**

NA

**What is the amount of raw product inventory on hand?**

NA

**How is the inventory controlled?**

NA

**How has raw product inventory fluctuated in the last three months?**

NA

**Does the business have any vehicles?**

Yes – four (4) passenger vans. Three (3) do not run. The one (1) van that does run was just put on an auto insurance plan the beginning of July.

**If they lease any of the vehicles are the payments current?**

NA

**Are the payments on the owned vehicles current?**

NA

**Who are the top three officers or managers of the business by name and salary?**

Sheldon M McCarter, Bishop

Salary - \$99,000 yearly

Anniversary bonus of \$2,500 once a year in April.

Housing allowance - \$57,000 yearly

Car Allowance - \$14,820 yearly

Health Insurance - \$33,540

Receives Love Offerings, birthday and other gift offerings from the congregation. Received \$9,517 for just the months of April and May 2018.

Additional miscellaneous reimbursements in unknown amounts.

Joyce McCarter, Co-Pastor – Car Allowance only- \$7,859 yearly

Elder Ewlyn T. Jackson, Associate Pastor - \$6,000 yearly

Diana Jones, CFO - \$22,800 yearly (part-time)

**Are salaries in line with business operations?**

The Bishops' salary and extra incentives seem rather large for a church in financial distress.

**Were the debtor's books changed over to a new system after they filed the petition?**

Yes

**Have all social security and withholding taxes been kept up to date since the filing of this case?**

Yes

**Are they filing the tax returns properly and on time?**

Yes

**How much indebtedness has the debtor incurred since this case was filed?**

None

**How much of the indebtedness, incurred by the debtor since the filing of this case, remains unpaid?**

NA

**Is this a larger amount than it was last month?**

NA

**Is the business seasonal? If so, what is the good season and what is the bad season.**

The Church does have some seasonal activity. They notice an increase around tax time and a decrease around the summer, Holidays and the start of school.

**Is the business operating at full capacity?**

The church has roughly 1500 members of the congregation on the role with about 800-900 members showing up regularly. There is room for growth in membership.

**Has the business outlook improved over the last three months?**

It is has stayed about the same as when they filed in April.

**Has the debtor discussed a Plan with the debtor's attorney?**

Not as of the time of the site visit.

**Are any steps being taken to file a Plan?**

The attorney will work with the debtor to file a plan by the deadline.

**What is the biggest problem confronting the debtor at the present time?**

1. The debtor's mortgage has matured and they are in default of the loan. The debtor will need to get alternative financing or be able to work with the current bank to set new terms.
2. Even if the debtor were to succeed in obtaining alternative financing or work out the existing loan with the bank it is unclear whether the debtor would be able to make a monthly payment of \$22,000. (Based on a 30-year loan term with 7% interest on \$3,300,000.00). The debtor will need to increase its income and lower expenses in order to make reliable payments.
3. It is not clear the debtor has developed accurate internal controls to address these issues.

**What suggestions, if implemented, might help reduce overhead costs?**

Reducing the Bishop's compensation and cutting back on some of his extra incentives such as the housing allowance, car allowance and/or health insurance. Having a set travel itinerary for the year and a budget set accordingly may help.

**Does the debtor have any surplus property, which could be sold to generate working capital? If so explain.**

The church sits on 11 acres and 4 acres are unused. Because of the location of the 4 acres, they are not able to sell them.

**Is outside financing necessary? If so, is it likely the business could get needed financing.**

Yes, see comments in the biggest problems confronting the debtor. It is unknown at this time if they can get the needed financing.

**Is any effort being made to improve the volume of business? Indicate how.**

The debtors are trying to bring in more members by doing things for the youth in the community. They hope that working with the youth in the community will allow their parents to get involved to bring in more members. In June, they had a community fun day by having food and games. They have done some other things in the community as well in hopes to bring in more members.

They currently have several air conditioning units that are not working and there are several other cosmetic issues with the church that could be fixed to bring in more

members. The parking lot needs to be repaved and the church sign is older and faded. The three old vans sitting in the parking lot that do not work should either be moved or sold.

**What type of advertising is being used?**

They are currently advertising on local Radio stations. They have also done several things in the community to try to get more interest from the youth and their parents.

**What other changes would help improve the volume of business?**

Since the Church is rather large, they could try to do more fundraising in the community, which could also bring in more new members.

**What are the prospects for a successful reorganization?**

Being able to refinance and have a loan payment that the Church can handle. Bringing in more members would also help keep the cash flow current. Setting and maintaining a strict budget and maintaining that budget.

**What are the potential problems for a successful operation for reorganization?**

Not being able to refinance with a loan that is feasible and can be maintained within the monthly budget. If the church cannot cut back on their expenses and cannot find additional sources of income, they will continue to struggle with whatever loan they get.

**In your opinion, what course of action should the Plan provide for?**

The debtor will need to get a loan that will work for them and they will need to show that they can maintain payment on the loan monthly. They will need to keep a strict budget and to supplement any short falls with a backup plan. An example would be to fund raise for any additional monies needed to meet the cash flow if they are unable to get new members.

**Should this business continue to operate until a Plan can be formulated?**

Yes, at this time. They will need to show they can stay within budget over the next several months and continue to find ways to cut expenses and increase cash flow.

**If not, give recommendations as to disposition of the property.**  
NA

**Is the owner, officer or general manager making his best effort to make a success of the business?**

Based on the information that has been presented the Bishop is out in the area around the church trying to bring in more members from the community. He also does a lot of traveling doing speaking engagements, which is part of helping to bring interest to the church. The compensation to the Bishop is an area of concern.

**Should the present management continue to operate the business?**

For now, the present management should continue to operate the business. However, if they cannot prove over the next several months that they can cut expenses and bring in more money than the court will need to look into alternative methods of management.

**If the present management is inadequate, what alternatives should be considered?**

There may need to be a trustee involved to handle the books if the debtor cannot control expenses on their own.

**Observations, recommendations, and comments:**

This church seems to have a large and loyal congregation. However, they have lost some supportive members within the past two years, which has caused a decline in income. Reducing overhead would help the church make the mortgage payment and fix some property issues.

There is concern that the Board may need to be more involved in addressing the church's problems.

Respectively submitted, this the 27th day of July 2018.

s/ Nicole Farabee  
Nicole Farabee  
Administrative Analyst

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